

Washington's Recovering Economy

The Present

Since the economic recovery began in the 4th quarter of 2001, Washington has gained about 46,000 jobs – a growth rate of about 1.7 percent. Although the state job recovery has been slow, it has been stronger than the overall U.S. recovery, which saw less than 1 percent job growth in the same period. The state recovery has been aided by slowing layoffs in the aerospace industry, very strong growth in the housing sector due to low interest rates, and increased disposable household income from home mortgage refinancing.

The relative strength of the state's recovery reflects Washington's underlying economic power, which includes a vital export base, the presence of knowledge-based industries such as business, professional, health and financial services, and a high quality of life that continues to support strong population growth.

After two years of decline, Washington State's non-farm payroll employment grew by 0.7 percent in 2004. Personal income grew at a rate of 4.0 percent, a significant improvement over the prior two years. Prior to 2001, Washington's personal income was growing at rates that regularly exceeded 7 percent.

The aerospace industry continued its decline into 2004 with an employment drop of 11.4 percent. Total manufacturing employment fell by 4.2 percent. This extended the trend of the last three consecutive years of employment decline in manufacturing.

In 2004, Washington's unemployment rate receded to 6.9 percent, slightly below the levels of the last two years but more than one percentage point higher than the national unemployment rate. As late as 2000, the state's unemployment rate was below 5 percent.

The Future

The economic forecast for Washington State for 2005 reflects the impact of the long-awaited recovery at both the state and national levels. According to the March 2005 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted

to increase by 1.9 percent in 2005, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 1.6 percent for non-farm payroll employment in 2005.

Washington's personal income growth will rebound in 2005 with growth of 8.2 percent. U.S. personal income growth is predicted to be 5.5 percent in 2005. The most significant factor pushing Washington's personal income growth rate so far above the U.S. is the Microsoft stock dividend. However, strong employment growth in manufacturing, including aerospace and information technology, will also help elevate Washington's personal income growth rate past the national level in 2005.

In 2005, Washington's unemployment rate is expected to drop to about 5.8 percent, the first time since 2001 that the state's unemployment rate is below 6 percent. The national unemployment rate for 2005 is predicted to be about 5.3 percent. However, this will be the narrowest gap between the state's unemployment rate and the nation's unemployment rate since 2000, when both rates were below 5 percent.

Washington's manufacturing employment is also expected to finally show signs of recovery in 2005. Manufacturing employment is forecast to grow by 1.5 percent, the first positive growth since 1998, while national manufacturing employment growth will be flat for 2005. Washington's manufacturing employment growth will be led by 1.8 percent employment growth in the aerospace industry, which has gone through a six-year slump in employment.

PERCENT CHANGE IN WAGE AND SALARIED EMPLOYMENT

Washington State vs. U.S. Average

